

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2017-18

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report provides an opinion on the adequacy and effectiveness of the council's internal control environment based upon work carried out by Internal Audit in accordance with the approved 2017/18 audit plan. It also considers the effectiveness of the audit service. This provides the Audit Committee with an important source of assurance when considering the Annual Governance Statement.
- 1.2 The Internal Audit Annual report complies with the Public Sector Internal Audit Standards (PSIAS) and The Accounts and Audit Regulations 2015.

2. BACKGROUND INFORMATION

- 2.1 The requirement for Internal Audit is supported by statute in the Accounts and Audit Regulations 2015 and the Local Government Act 1972. The Accounts and Audit Regulations state that a "*relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into public sector internal audit standards for guidance*"
- 2.2 Internal Audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which defines the way in which the Internal Audit Service should be established and undertake its functions. The PSIAS define internal audit as:

"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

- 2.3 As set out in the standards there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit and Governance Committee, timed to support the Annual Governance Statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment);
 - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies);and
 - a statement on conformance with the PSIAS, the outcome of the five yearly external review of Internal Audit, and the results of the internal audit Quality Assurance and Improvement Programme.
- 2.4 A copy of the Annual Report and Opinion is attached and its main findings are summarised below.
- 2.5 Section 2 of the Annual Report refers to the work carried out from which the audit opinion is derived. It also lays out amendments to the plan in-year due to the changes in the Council's risk profile and priorities. It concludes that sufficient work was carried out to support the opinion although a small number of planned audits were work is in progress (and to be reported in 2018/19) or the start was deferred into 2018/19.
- 2.6 As referred based on the work carried out by internal audit satisfactory assurance could be provided on the Council's governance, risk and control framework, with a small number of areas identified for further development.
- 2.7 As referred to in Section 4 of the Annual Report the Audit Team complies with the standards in all material respects, and has effective arrangements in place for monitoring quality. This has been highlighted by the successful outcome of five yearly review of external audit carried out in 2017/18.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether Internal Audit's Annual Report provides sufficient assurance on the adequacy of the council's internal control environment in 2017/18. Members may wish to ask questions and seek clarification as necessary.

4. ANALYSIS OF OPTIONS

4.1 The Internal Audit Annual Report and Opinion 2017/18 complies with professional guidance available and is designed to provide this Committee with the assurance required.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Internal audit recommendations enhance internal control over the use of the council's resources.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 Consultation takes place at all stages of audit work. It affects the scope of audit work undertaken, the risk assessment of audit work, audit practices and products.

7.2 There are no conflicts of interests to declare in relation to this report. Audit team members are asked to complete declaration forms on annual basis. If any potential conflicts are identified then they are not allocated assignments related to the potential conflict of interest.

8. RECOMMENDATIONS

8.1 That the Audit Committee considers the assurance provided by the Internal Audit Annual Report for 2017/18 on the adequacy and effectiveness of the council's internal control environment.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB

Author: Peter Hanmer
Date: 18 June 2018

Background Papers used in the preparation of this report:

Internal Audit Plan 2017/18 (April 2017)

Internal Audit Interim Report (January 2018)



The
Assurance
People

The logo for Northern Lincolnshire Business Connect, featuring a stylized white outline of a map of Lincolnshire on a teal background.

**NORTHERN LINCOLNSHIRE
BUSINESS CONNECT**

Head of Internal Audit Annual Report and Opinion 2017/18

North Lincolnshire Council

**Peter Hanmer
Head of Audit and Assurance
June 2018**

1 Introduction

1.1 The requirement for Internal Audit is supported by statute in the Accounts and Audit Regulations 2015 and the Local Government Act 1972. The Accounts and Audit Regulations state that a *“relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into public sector internal audit standards for guidance”*.

1.2 Internal Audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which defines the way in which the Internal Audit Service should be established and undertake its functions. The PSIAS define internal audit as:

“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

1.3 As set out in the standards there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report which must:

- take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the Audit and Governance Committee and other stakeholders;
- be supported by sufficient, reliable, relevant and useful information.
- include an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- include an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- Include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

1.4 This report provides a summary for each of these areas. At North Lincolnshire Council, the Head of Audit and Assurance carries out the functions of the Chief Audit Executive as defined in the standards.

2 Audit work from which the opinion is derived

- 2.1 Internal Audit carried out its work in accordance with its 2017/18 plan, which was approved by the Audit and Governance Committee on 20 April 2017. This described how it was compiled, taking into account the Council's strategies, objectives and risks. The scope of Internal Audit activity is clearly set out in each audit assignment specification and report.
- 2.2 As laid out in the audit plan the work of Internal Audit is split into a number of key areas. It is critical that in forming an opinion on the overall control environment, the Annual Plan is designed to ensure that specific assurance is provided for each of these areas all of which can potentially feed into the annual governance statement:
- strategic and operational risks relating to the delivery of the Council's strategic outcomes and/ or a key part of the Council's governance framework;
 - the key financial systems to support the S151 Officer's statement provided as part of the Annual Statement of Accounts in relation to the reliability of the systems supporting the accounts;
 - other key areas which support the Council's control environment (e.g. human resources. ICT, procurement;
 - providing assurance on the control environment within maintained schools; and
 - work such as providing advice and support, the mandatory certification of external grants claims, and audit team member's contribution to the Council's approach to counter fraud.
- 2.3 During 2017/18 the audit plan was subject to regular review. As new risks emerged that required audit coverage they were added to the plan, whilst other areas were either taken out due to reduced level of risk due to changing circumstances, or where there had been internal or external reviews either carried out or pending. On 19 January 2018 the Audit Committee was informed of amendments to the plan, and overall reduction of planned days from 1250 to 1100. The detail of the changes reported in January are re-shown on Appendix 1 of this report.
- 2.4 The outturn up to 15 June 2018 is shown on Table 1 below. Overall, audit delivered a total of 976 days compared to the revised plan of 1100 days, a reduction of 124 days. This was due to:
- unfilled vacancies during the year;

- an instance of long term sickness totalling 0.5 full time equivalents; and
- as reported in the Head of Internal Audit Annual Report 2016/17, there was a greater carried forward for the period from April to June 2017 to complete the 2016/17 audit plan than initially planned which impacted on the start of work related to the 2017/18 internal audit plan.

2.5 However, this did not prevent sufficient work being carried out to support the audit opinion, with most of the amended plan being reported, and the majority of the revised contingency of 85 days not being required. As shown on appendix 2 as at 15 June 2018 out of a revised target of 75 reports, 64 had been reported in final or draft, 7 were work in progress and will be reported as part of the 2018/19 internal audit plan, and the start of 4 were deferred to 2018/19.

Table 1: Days charged against the audit plan as at 15 June 2018

Area	Planned days	Revised days	Actual days
Strategic and operational risks	455	397	357
Financial systems	140	140	152
ICT	60	60	58
HR Systems and Processes	30	15	20
Procurement	15	28	44
Grants	30	30	33
Schools	100	80	105
Follow up	50	40	42
Fraud and investigation	125	100	64
Advisory	70	50	45
Audit Management	75	75	76
Contingency	100	85	
Total	1250	1100	976

2.6 A summary of the audit work to support the opinion is shown on Appendix 2. Subject to a small number of exceptions, for each review undertaken, individual assessments of the adequacy of the control environment are provided in the form of an 'opinion'. We provide two opinions as shown below. One relates to the overall control effectiveness, whilst the other to the residual risk exposure. We derive our overall opinion on the control framework by considering the outcome of individual audits. Typically, those areas where the assurance on the control environment is "limited", and the residual risk is at least "medium" will be considered for specific reference in the overall opinion on the Council's overall control environment, with particular focus on those areas which are critical to the Council's financial management and governance arrangements, including the potential impact of any weaknesses identified.

Overall Control Effectiveness

Substantial	Strong controls support achievement of the business objectives.
Satisfactory	Controls support the business objectives, but some improvements should be made.
Limited	Controls provide some support for business objectives, but improvements are essential.
None	Controls do not support the achievement of business objectives.

Residual Risk Exposure

Priority Level	Action Level
High	Significant possibility for substantial financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Action must be taken to mitigate the risk.
Medium	Potential for financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Depending on risk appetite, action should be taken to either mitigate the risk or accept that an event could occur and manage its impact.
Low	Risk is being suitably managed based on current knowledge. Should be regularly reviewed and monitored.

2.7 In forming our overall opinion we also take into account of the following:

- Where appropriate other sources of assurance, such as work by other inspectorates and peer reviews, or internal reviews carried out within the Council. As highlighted in Appendix 3 we have taken account of such activity when obtaining assurance where appropriate, including the outcome of the OFSTED inspection of Children's Services which reported in September 2018.
- As listed at Appendix 4, Internal Audit has carried out significant advisory work for the Council and where appropriate we have taken into account any issues arising from this work.
- As part of the wider Audit and Assurance Team, Internal Audit makes a significant contribution to the delivery of the Council's approach to anti-

fraud and corruption. This was reported to the Annual Fraud Report 2017/18 which was reported to the Audit Committee on April 2018. There were no issues identified in the report that requires specific reference in the annual audit opinion.

3 Chief Audit Executive Annual Opinion 2017/18

- 3.1 The overall opinion for each of the three areas of the control environment is shown below. This opinion is subject to the limitation of scope and statement of responsibilities laid out in Appendix 4.

Control Framework

- 3.2 Overall, we can provide **satisfactory assurance** on the effectiveness of the Council's control framework in relation to 2017/18. However, our work has identified there is scope to develop the control environment in relation to Adult Social Care financial assessments. This area has been prioritised by the Council and is currently under review.
- 3.3 We can also specifically provide **satisfactory assurance** in relation to the audits of those systems which support the annual financial statements. The introduction of joint enhanced systems within the shared service with North Lincolnshire for finance and human resources planned will be critical for delivering a reliable, efficient and effective financial control environment. This was originally planned for April 2018, but has been revised for April 2019, and it is essential that the revised timescales for implementation are received.

Governance

- 3.4 Overall, we can provide **satisfactory assurance** in relation to its governance arrangements and the processes which support them. From our work and other sources we are not aware of any material governance failures occurring in 2017/18. The Audit and Assurance team co-ordinates the annual review of Code of Governance which was based on principles designed by CIPFA/SOLACE. This work identified that there were no material differences between the key components of the Council's governance framework and those expected in the CIPFA/SOLACE guidance.

Risk Management

- 3.5 Overall, we can provide **satisfactory assurance** in relation to the Council's risk management arrangements. As reported to the Audit Committee in April 2018 an updated electronic risk register and risk toolkit has been introduced which it is hoped will contribute to ensuring that the

identification and monitoring of operational risks is consistently applied throughout the organisation. The council recognises that although the Council's key strategic risks (which are aligned to its strategic outcome) have been identified, there is scope to use the risk register to monitor them more systematically. Work on this was in progress in 2017/18, and is intended to be complete in early 2018/19.

4 Quality Assurance Arrangements

- 4.1 A quality assurance process is in place to ensure that work is carried out to Public Sector Internal Audit Standards (PSIAS) and that the opinions provided for individual assignments are supported by sufficient evidence. On 17 January 2017 the team's Quality and Assurance Improvement Programme (QAIP) was presented to the Audit Committee and remains in operation. Under the standards the annual report is obliged to report on the outcome of, and any issues arising from, the QAIP
- 4.2 An important element of the standards is that every five years audit teams are subject to an external inspection in order to assess compliance with the Public Sector Internal Audit Standards, and where appropriate identify area for further development. Following a competitive tender, the contract to carry out the inspection was awarded to "Thinking Audit".
- 4.3 The outcome external inspection was reported to the Audit Committee on 25 April 2018. Its overall conclusion was that:
- "It is our overall conclusion that the internal audit function for North Lincolnshire Council generally conforms with the Public Sector Internal Audit Standards"
- 4.4 'Generally conforms' is the top rating available, and is defined as:
- "the internal audit activity has a charter, policies, and processes that are judged to be in conformance with the standards. There may be opportunities for improvement, but these do not represent situations where the internal audit activity has not implemented the Standards, the Code of Ethics or is not achieving their stated objectives"*.
- 4.5 The report identified a small number of actions designed to further enhance the impact of Internal Audit and the implementation of these actions will be reviewed as part of the QAIP by the Audit Team throughout 2018/19.
- 4.6 Other sources of evidence for the QAIP included:
- two reviews carried out by the Head of Audit and Assurance of a sample of audit assignments to assess whether they were compliant with the team's quality standards and processes- no significant weaknesses were identified with any areas for further improvement included in the QAIP action plan
 - The annual self-assessment against the standards (Appendix 5).

- Self-assessment against the five principles contained in the CIPFA document “The Role of the Head of Internal Audit” (2010). (Appendix 6) demonstrates that we comply with each of the principles.
- Self-assessment against the internal audit principles introduced in January (Appendix 7).
- Regular review of the QAIP of the action plan at team meeting.
- The post-audit customer satisfaction questionnaires found that of those questionnaires returned, 100% of respondents indicated that they were satisfied with the way the audits were conducted and felt that the audits added value.
- Monitoring performance against key indicators (Appendix 8). They demonstrate that audit operates efficiently and effectively and has good customer satisfaction although working with officers to ensuring audits are completed in a timely manner as possible remains a key priority.

5 Closing Remarks

- 5.1 I would like to take this opportunity to thank Members, Management and Staff for their continued support as we carry out audit work during a period of continued significant organisational change. We will strive to continue to provide an effective and supportive internal audit service as the Council deals with the challenges it faces in the future.

Appendix 1: Changes to the audit plan relating to strategic and operational risks as reported to the Audit Committee in January 2018

New assignments identified or scope increased

Assignment	Comments
Assessment, Support Planning and Review	Providing support to the review of the processes around adult social care financial assessments
Fixed Assets	Began in 2016/17 completed 2017/18
Grant Claims	Deferred from 2016/17
Special schools funding	Deferred from 2016/17

Assignments removed from the plan or scope reduced

Assignment	Comments
Adults Referrals	Audit deferred to allow for the new processes for adult referrals to be implemented
Clinical Governance	Discussions with the Director of Public Health identified that this was a relatively low risk for NLC and therefore full audit not required at this stage
Delivery of the Financial Plan	Scope of audit reduced to take account that some of the required audit enquiries are covered in the audit of the role of the Chief Financial Officer
Direct payments (ASC)	Incorporated into the processes related to social care financial assessments
Leisure	Audit deferred to early 2018/19 to take account that this area is being subject to review
Media enquiries	Audit deferred due to the prioritisation of work required for Q4 2017/18 plan
Public Health- Contracted Services	Audit was to review on contract arrangements for three areas- sexual health, smoking cessation and substance misuse. Latter deferred as subject to re-procurement in early 2018
Welfare Reform	Original budget reduced to reflect the economies of scale due to the shared service

Appendix 2: Summary of Audit work supporting the Audit opinion

See separate attachment

Appendix 3: Summary of advisory work provided by Internal Audit in 2017/18

- Providing support to the BPR review of Adults Financial assessments
- Providing support to the preparation for the LGA peer challenge
- Providing assurance on the Eclipse system implementation
- Providing support to the Finance/ HR/ Payroll systems upgrade project
- Via membership of CIPFA's Better Governance Forum, inform relevant managers of national developments and emerging issues relating to internal control and governance which may impact upon their duties
- The certification of grants in relation to transport, highways and troubled families
- Representation on the Security Incident Group and provided advice on data breaches
- General requests for advice from services relating to the control environment in their specific area
- Providing support to the Transformation programme, including the Service Redesign Working programme and the Commercialisation programme
- Providing challenge and assurance on the NHS Information Governance Toolkit submission
- Providing advice on income procedures with Licensing

Appendix 4: Limitations of Scope and Responsibilities

Internal Audit has prepared the Annual Report and undertaken a programme of work agreed by the Council's senior management and approved by the Audit and Governance Committee subject to the limitations outlined below:

Opinion

The Opinion is based, primarily on work undertaken as part of the agreed 2016/17 Audit Plan. Each audit assignment undertaken addressed the control objectives agreed with the relevant, responsible managers.

There may be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work or were not brought to our attention. As a consequence, the Audit and Governance Committee should be aware that the opinion might have differed if our programme of work, or the scope of individual assignments was extended, or other relevant matters were brought to our attention.

Internal Control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls and unforeseeable circumstances.

Future Periods

Our assessment of the Council's control framework is for the year ended 31st March 2017. This historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; and
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Audit

It is the responsibility of management to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our work should not be relied upon to disclose all fraud or other irregularities that might exist.

Appendix 5: Comparison of Audit Approach against the Public Sector Internal Audit Standards and the Local Government Application Note Standards Requirements

Conformance with the PSIAS and the Local Government Application Note Standards/Requirements	Evaluation/Comments
Code of Ethics	Requirement met - referred to in the audit charter and communicated to all audit staff
Attribute Standards	
1.Purpose, Authority and Responsibility	Requirement met and defined in the audit charter
2.Independence and Objectivity	Requirements met and defined in the audit charter. Potential conflicts are appropriately managed
3.Proficiency and Due Professional Care	Requirements met and defined in the audit charter
4.Quality Assurance and Improvement Programme	Requirements met - Quality Assurance and Improvement Programme in place, and the outcome of the annual review of the programme included in the Head of Audit annual report. Five yearly external inspection carried out in 2017/18.
Performance Standards	
1.Managing the Internal Audit Activity	Requirements met
2. Nature of Work	Requirements met
2. Engagement Planning	Requirements met,
3. Performing the audit engagement	Requirements met - methodologies in relation to evidence gathering and sampling regularly reviewed. All assignments are subject to review
4. Communicating Results	Requirements met - the report template is subject to at least annual review to ensure that reports are clear, insightful and promote improvements. Will be reviewed in early 2018/19 following feedback from the inspection
5. Monitoring Progress	Requirements met, although scope to strengthen follow-up arrangements particularly reporting
6. Communicating the Acceptance of Risks	Requirements met

Appendix 6: Comparison of Audit Approach against the 5 key principles contained in “The Role of the Head of Internal Audit” (2010)

Principle	How Compliance is demonstrated
<p>Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments</p>	<p>Promotes good governance and conduct e.g. facilitates the production of the code of governance and the Annual Governance Statement and lead officer on the update of the council’s anti-fraud and corruption framework. The audit plan is based upon the Council’s strategic risks, the Council’s governance arrangements and the systems of internal control. HOIA reports on the adequacy of such arrangements both individually and in aggregate via the annual Head of Internal Report. Whilst ensuring it remains management’s responsibility, facilitates the embedding of effective risk management throughout the Council. Provides comment on proposed developments when requested From 2018/19 is a member of the Council’s Assurance Board</p>
<p>Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control</p>	<p>Audit programme covers all these areas. Assignments carried out objectively and evidence based, and provides an opinion on the controls in place and the residual risk.</p>

Principle	How Compliance is demonstrated
(HOIA) must be a senior manager with regular and open engagement across the authority, particularly with the Leadership Team and with the Audit and Governance Committee	<p>Meets at least monthly with the Director of Governance and Partnerships.</p> <p>Meets, when appropriate with the Chief Executive and the Deputy Chief Executive and other Directors</p> <p>Member of the NLBC management team.</p> <p>Member of the Council's Assurance Board from 2018/19</p> <p>Reports to the Audit and Governance Committee in own name, and has regular contact with the chair and Deputy Chair of the Audit and Governance Committee.</p>
(HOIA) must lead and direct an Internal Audit service that is resourced to be fit for purpose	<p>Sufficient resource and staff mix in place in 2017/18 to deliver a PSIAS compliant Internal Audit Plan and to provide sufficient evidence in relation to the Council's control environment and key risks to support the Head of Internal Audit opinion statement.</p>
(HOIA) must be professionally qualified and suitably experienced	<p>CIPFA Member since 1993 and ICAS Member since 2018 Chartered Member of the Institute of Internal Audit (CMIIA) and Qualification in Audit Leadership (QIAL).</p> <p>Also up to date "Continuing Professional Development" (CPD), 29 years of internal and external audit experience, 17 years of which at senior level, and has been a Head of Internal Audit since April 2008.</p>

Appendix 7: Comparison of Audit Approach against the 11 principles as laid down in the audit standards)

Principle	How comply?
Demonstrates integrity	The code of ethics, including integrity, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics.
Demonstrates competence and due professional care	The code of ethics, including competence, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics. The required levels of competence and experience are laid out in each job description, and training needs are considered in regular 1 to 1 meetings. There is a Quality Assurance and Improvement Programme in place to ensure that professional care is maintained.
Is objective and free from undue influence (independent)	The code of ethics, including independence, is included in the audit charter. Team members are asked annually confirm that they have read and understood the code of ethics, and annually declare any interests which could impact on their independence. The HAA has responsibilities for risk, counter fraud and insurance as well as audit. To preserve independence audits in these areas are carried out by other audit organisations.
Aligns with the strategies, objectives, and risks of the organisation	The audit plans are aligned are far as possible to the strategic risks of the organisations. Mechanisms are in place to consider risks to an effective control environment for each part of the audit universe when determining the audit plan.
Is appropriately positioned and adequately resourced	The HAA is a 3 rd tier officer who sits on the finance management teams at both council as well as the shared service management team. HAA has unfettered accesses to the CFO, Chief Executive and audit committee at both Councils. Also sits on both Council's Assurance Board. When compiling the plan the level of resource available is compared to the resource required to provide a reliable and standards compliant opinion. For 2017/18 it was reported by the HAA that for both

	organisations the audit plan was sufficiently resourced to achieve the audit plan.
Principle	How comply?
Demonstrates quality and continuous improvement	A Quality Assurance and Improvement Programme are in place, and the team had a successful five yearly external inspection of its processes. All assignments are subject to supervision and review, and the overall arrangements are subject to annual self-assessments. Quality issues are discussed at each monthly team meeting and any relevant issues arising are included in the improvement plan. At least annually the audit team holds a full day workshop to review its processes following the first anniversary of the shared service
Communicates effectively	The team has a report template which meets the requirements of the audit standards. Reports are subject to regular review and update, and any common issues are included in the quality improvement plan. Team members are provided with guidance on effective reporting.
Provides risk-based assurance	The overall plan and individual assignments are prioritised depending on risk. When considering the work programme for individual assignments team members consider the importance of each of the five key areas of an effective control environment.
Is insightful, proactive, and future-focused	Auditors are encouraged to ensure their reports are insightful, relevant and include agreed actions which add value. Following feedback from the external inspection the reporting template will be further enhanced in 2018/19. Both the overall audit plan and the design of individual assignments take accounts of future developments and risks to the organisation, and are subject to consultation with relevant officers. The team keeps a library of future developments to ensure that future issues (both nationally and locally are picked up through membership of various bodies Cipfa, BGF, IIA Humber Fraud Forum) and considered for audit programmes were appropriate. Internal audit is proactively involved in the council risk management system and proactively works with services to make sure their risk registers are up to date and take account of potential future developments in their area - this in turn helps inform audit planning.

	Team meetings ensure that service, development and cultural issues and changes are discussed, and training is delivered where required.
--	---

Principle	How comply?
Promotes organisational improvement	<p>The audit team promotes organisational improvement in the a number of ways including:</p> <ul style="list-style-type: none">- Aligning the audit programme to the strategic objectives of the council- Shares emerging good practice with management- Ensuring assignments are based on key risks, and reports have meaningful actions which add value- Provide advisory work, particularly in relation to the implementation of new programmes or systems- Carry out follow up work to provide assurance that actions are being implemented and improvements made

Appendix 8: Key Performance Indicators 2017/18

	Annual target	Outturn	Variance	Comments
What did we do?				
Actual outturn forecast v budgeted outturn (shared service combined)	£576K	£522K	-£54K	Below budget due to in year staff vacancies
Audit days delivered as at 15/6/17	1100	976	-124	Unrequired contingency and fraud investigation budget, offset by some work to be reported in 2018/19.
Audit days delivered as at 31/3/17	990	858	-132	Below target as at 31/3/18 due to resourcing issues earlier in 2017/18.
Number of audits issued by 15/6/18	75	64	-11	7 in progress, 4 deferred to 2018/19
% of audits issued in final within 20 working days of the issue of the draft	90%	64%	26%	Continued scope to work with managers to agree reports on a more timely basis

	Annual target	Outturn	Variance	Comments
How well did we do it?				
Did we carry out the audit well? (customer satisfaction questionnaires)	90%	100%	+10%	
Cost per chargeable day within 10% of unitary average	£293	£278	-£15	Cost per day is below national unitary average
Chargeable time per employee excluding HOIA compared to CIPFA average	160 days	181	21	Good levels of productivity within the audit team
% of audits issued in draft by the agreed date	90%	44%	-46%	Performance due to combination of the staffing issues in the first half of the year, unrealistic target completion dates, and delays by management. However, as shown in other indicators most work completed in sufficient time to inform the audit opinion.
Did we add value?				
Did we add value? (customer satisfaction questionnaires)	90%	100%	+10%	
% recommendations fully or partially implemented	90%	71%	-19%	In line with 2016/17 outturn of 70%. Enhanced monitoring mechanisms introduced in 2017/18 and enhanced reporting mechanisms to be developed in 2018/19